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Municipal Infrastructure Financing in Batu Town, Ethiopia

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Abstract
Good finance is a key to provide adequate, efficient and well maintained infrastructure. Most developing countries local governments including Ethiopian municipalities have shortage of finance for the infrastructure investment. This study used descriptive type of research, both primary and secondary data sources to examine Batu town municipality infrastructure financing. A non-probability (purposive) sampling technique was employed and the data collection instruments comprised of questionnaire, interview, field observation and reviewed documents. The study has found that: the municipality existing coverage of road, drainage, solid waste management and street lighting infrastructure are poor, they mostly applied traditional source of finance, highly utilizes own revenue to finance the infrastructure, the actual revenue collected is not sufficient to finance the infrastructure adequately. The major challenges of municipal infrastructure financing are insufficiency of municipal revenue, low level of expenditure management, least bid price proclamation, and low revenue basis.

1. Introduction

1.1 Background of the study

Urban infrastructure plays a significant role in socio-economic growth of the town and cities. For the provision of adequate urban infrastructure proper financing system is the important one.

Provision of urban infrastructure is among the major tasks of the local governments and central government. Efficient, sufficient and good maintenance system for the municipal infrastructure is the determinant for the economic growth and better life of the society. However, the scarcity of resources at all levels of the government leads difficulty in financing provision of new infrastructure and upgrading of the existing infrastructure (CMHC 1999).

The increases in demand of the society over time and increases in responsibility of the government force the government to find the way of improving the ability of covering increased expenditure to meet local demand for the infrastructure services. Fiscal decentralization provide local government revenue collection power and expenditure responsibility, though local government assigned responsibilities without adequate revenue sources which puts pressure on municipal finance (Slack 2009). Most local government in developing countries lacks the financial, managerial and technical ability to provide infrastructure. They have access to three sources of financing; taxes, charges and other non tax revenue and intergovernmental transfer and various types of privatization schemes (Bahl and Bird 2013).

Ethiopia has adopted a decentralized system which recognized Federal, Region, and local (Woreda and Municipalities). To perform their social and economic responsibilities municipalities depend on two sources of finance using their autonomy and authority; regional transfer and own revenue. Regional transfer are used to run state function while own revenue collection is used to run municipal function. Quite often cities have low revenue due to outdate tariffs and rates (Clacey 2011).

1.2 Statement of the Problem

Improved urban infrastructure provision is widely believed essential in encouraging and facilitating economic growth. Many studies shows urban local government/municipalities face challenges to finance urban infrastructure. Alm (2010) and Slack (2009) stated that municipalities or local governments face difficulties in financing of infrastructure due to inadequate revenue to meet expenditure needs and other various reasons.

In Ethiopia urban infrastructure financing by municipalities constrained by inadequate financial capacity. Inadequate financial capacity is emanate from inadequate revenue generation caused by out date tariff structure, rate and ineffective tax collection system and low level of expenditure management, limited experience on innovative financing option, low participation of private sector, NGOs) and CBOs) on financing of infrastructure(Clacey, T.G.E 2011).

Batu municipality is one of the Ethiopian local authorities that faces the problem of financial capacity to deliver infrastructure and services to its residents. In Batu town inadequacy of municipal infrastructure is largely observed. This financial inadequacy is due to low level of municipal revenue and poor municipal expenditure management. Moreover not much effort has been done to improve the financial gap that the municipality faces. As far as the literature review is concerned there was no similar study conducted on infrastructure financing in

Batu town. Therefore, this study has tried to fill the gap by assessing municipal infrastructure financing capacity.

1.3 Objective of the Study

The main objective of the study is to assess Batu town municipal infrastructure financing capacity and explore viable options for strengthening the financial capacity of the municipality.

Specifically the study is carried out:

- To assess the condition of Batu town municipal infrastructure financing.
- To examine the performance of municipal infrastructure financing in the study area.
- To assess the challenges of municipal infrastructure financing in the study area.

1.4 Need/Importance of the Study

Strengthening the financial capacity of municipalities is a basic precondition for the delivery of urban infrastructure and service. As clearly explained in the prior section municipalities face challenges to finance urban infrastructure which emanate from inadequate revenue generation and low level of expenditure management. Therefore the result of the study expected to serve as input for improving the infrastructure financing capacity of Batu town municipality, input in policy setting at country and regional level and will add to the literature of municipal infrastructure financing.

1.5 Scope for Further Research

This study has assessed municipal infrastructure financing of Batu town, of Ethiopia. The thematic scope of the study was delimited to assessing internal road, street light, drainage and solid waste management infrastructure financing. The study examines seven years (2007/8 – 2014/15) financing performance of the municipality. Geographically, this study is restricted to Batu town municipality.

2. Review of Literature

2.1 Theoretical Literature Review

According to (slack 2009) Municipal infrastructure financing is defined as the municipal government decision about revenue and expenditures. The decision covers ways of financing infrastructure using sources of revenue such as taxes, user fees, intergovernmental transfer, charges on developers, public private partnership, operating revenues and borrowings. The decision also addresses about expenditures at local levels and accountability for revenue and expenditure decisions.

Mostly the mechanisms of infrastructure financing are able to finance insignificant portion of the required capital. Traditional financing method is the most commonly used method in many developing countries which cannot generate adequate revenue for financing. The main revenue sources of the local government include tax revenues, user charges and non tax revenues. The other sources also includes receipts from tax shared with higher level governments, budget allocations, grants and loans (M. Ndeto 2010). According to Levy (2010) innovative financing is one of the most important ways to overcome shortage of financing. Innovations in public finance reshape familiar tools in order to increase the success and acceptance of finance tools. Innovation can be successful simply through reframing an existing tool. Innovative improves transparency, create new tools and improve the cash flow for infrastructure purposes. Innovative financing is very essential as the current approach is unable to meet the increasing amounts of capital needed to meet the demand for infrastructure and it is the long term solutions to address the accumulated funding gaps.

The sources of revenue for the municipal governments include taxes, user fees, and intergovernmental transfer, but these sources vary across countries. The other revenue sources may include investment income, property sales and license permits. The tax base should be relatively immobile and adequate to meet local needs that increases overtime and be stable and predictable. As a revenue source for infrastructure, trading fees and development cost charges can provide partial cost recovery but rarely full cost recovery (ibid).

Different literature indicate that financing infrastructure by local government own source of revenue are not adequate. The local government can respond to this by employing different strategies. These strategies include: Raise additional revenue, the local government can increase revenue mobilization effort through strong tax base and user fees; Public private partnership infrastructure financing and expenditure planning to improve effectiveness and efficiency (Mosha 2009 and Slack 2009).

2.2 Empirical Literature Review

Some economic characteristics of infrastructure asset make it more difficult to match investment demand and financing supply. These characteristics of infrastructure project are usually difficult and involve a large number of parties and many infrastructures generate cash flows only after many years and the direct payment for the infrastructure does not cover the initial costs, so it is subject to high risk. Currently the problem becomes worldwide that the urban local governments face the same challenges of financing to meet the growing demand

for the infrastructure. Beside while the urban population growth at an alarming rate, the deficit between the demand for service and the ability of governments to supply those services gets wider (Ehlers 2014).

According to Peter (2008), the main challenges of urban infrastructure finance includes; lack of adequate funds from central government, insufficient municipal revenues from taxes and fees, limited access to loans and other debts. The other challenges are shortage of qualified staff and lack of technical and administrative capacities to provide infrastructure facilities, lack of coordination between different line agencies, insufficient legal and administrative frameworks for private sector participation.

Ethiopia's capital allocation is very poor and one of the pro-poor in Africa. This problem emanates from lack of adequate financial resources and the recent global economic crisis. Fiscal adjustment on expenditure and shortage of financial resources should be made, though financial resources is surrounded by difficulty in mobilizing domestic resources and the current uncertainty of global foreign aid inflows. In addition Ethiopia is weak in attracting foreign direct investment and poor access to international capital market. However the millennium development goals requires further financial sources in order to keep up this positive momentum and continue pursuing its ambitious public investment programmes (UNDP 2012).

When the government face financial deficit borrowing is one means of filling the gap. But, in Ethiopia access to loan is very difficult due to limited capital market in the country and borrowing is also the most expensive form of financing in Ethiopia. So that municipalities are required to establish sustainable sources of financing for the future increased infrastructure development, operation and maintenance costs. However, it is unlikely that municipalities will have sufficient revenue source to finance the required infrastructure development (Guyen et. al 2001). Ethiopia which has installed a decentralization system has faced the problems in financing of municipal infrastructure. The local authorities have no adequate revenue autonomy because the majority of the taxes and fees are restricted by the regions, high turnover of local government staff, and transfer from higher level of government to local authorities is based on the old data source which is non transparent and inconsistent. The local governments collect taxes on behalf of the region and to a lesser extent on behalf of the central government. The majorities of urban local governments also are suffering from under funding in their budgets and have to request the region to cover their deficit. Moreover the urban local governments are legally restricted from borrowing to fund long term capital investment (Nguyen 2007).

3. Research Methodology

This study adopted both quantitative and qualitative research approach to obtain comprehensive information about the current condition of municipal infrastructure financing capacity in the study area. This study is cross-sectional study and descriptive type of research. Survey method of research strategy is employed in this study. As research strategy is survey, therefore questionnaires and interviews research techniques are used. The interview is conducted to collect detail information from the concerned body or stakeholders.

To conduct the study thoroughly non-probabilistic sampling techniques was used. The study purposely chooses experts and managers from Batu town Revenue Autchority office, Batu Town Finance and Economic Development office and Batu town Urban Land Management Agency. The data collected by interviewing officials and distributing questioner for experts. Seven years series of data of municipal revenue, budget and expenditure from 2007/8 to 2014/15 was used. In order to gather a more holistic perspective about the financial capacity of the municipality to deliver infrastructure the sample of 4 mangers and 29 experts were taken from the purposively selected organization. After the data editing, coding, classifying and tabulation process; then the qualitative data was analyzed through narration and the quantitative data was analyzed by using percentage and other statistical techniques.

4. Result and Discussion

4.1 Introduction

In this study 29 questionnaires were distributed and all questionnaires returned. Four interviews were conducted with the managers. The data found from all sources are presented and discussed in this section of the report.

4.2 Existing Condition of Batu Municipal Infrastructure Financing

Assessing the existing condition of municipal infrastructure (internal road, street lighting, drainage and solid waste management) financing is one among the specific objective of the study.

As the data obtained from asset management plan of the town shows, Batu town has 108.4 km(kilo meter) road including the asphalt road within the municipality boundary that are owned by the Ethiopian road authority (federal government). The road is mainly dominated by earthen 40.6% (43.92km) of the total road network, 39% of the road is gravel road.

Table .1- Distribution of Type of Road Infrastructure in Batu Town

SN	Types of road	Length in(km)	(%)
1	Asphalt road	10.2	9.4
2	Red ash road	7.7142	7
3	Gravel	42.22	39
4	Earthen road	43.925	40.6
5	Cobble stone road	4.345	4
	Total	**108.4**	**100%**

Source; Batu Town Capital Investment Plan, 2014/15

The above table shows that the town road infrastructure is highly dominated by earthen and gravel road type. The town has small amount of red ash and cobble stone road type which constitute 7% and 4% from the total road coverage respectively.

The data indicates, Batu town has 19.052km earth open drain, 4.07km masonry open drain and 3.04km coble stone drains adjacent to roads. The distribution of drainage infrastructure is not proportional to all areas of the town. With regard to street light infrastructure provision, there are around 456 sodium and florescent lamp and 143.56 km transmission of electric power line.

The town has only one waste disposal site and the waste disposal system of the city is open dump system. The town has no air base containers and has no vehicles which are used to transport the waste to the disposal site. They use Carts to collect the waste and transport to the disposal site. The solid waste management infrastructure in the town is poor and in adequate. To improve this it requires additional resource allocation for the provision of this infrastructure.

Batu municipality mostly implements traditional financing option to secure fund for the provision of infrastructure in the town. But the study identifies that the existing infrastructure is not adequate in terms of quality and quantity. As the municipality mostly uses traditional financing option it is difficult to improve this condition and provide those infrastructures adequately.

4.2.1 Method of Infrastructure Financing

Batu town administration has an authority given by the proclamation no87/1997 and revised proclamation no 162/2003 issued by the Oromia regional state to identify, levy, determine and collect its source of revenue such as taxes, fees and service charges within the boundary of the city. Respondents of Batu town municipality and revenue authority also indicate the authority that municipality has own revenue sources. In addition they have an authority to innovate new sources of revenue and send to revenue authority office to collect it on behalf of municipality. The municipality follows up and evaluates their revenue collection performance.

According to data obtained from different sources municipal own revenue, state revenue, regional support and ULGDP (Urban Local Development Project) support are the source of finance that the municipality uses to finance infrastructure investment. Among these sources of revenue, own revenue is the most significant to finance different infrastructure in the town.

The municipality revenue items are categorized under four major source of revenue. The first category of source of revenue is municipal rent revenue and investment income. This category includes urban land use rent, land provision for investment, land lease, engineering and technical services, title transfer, registration and plan house maintenance and other income. The second source of municipal revenue is tax revenue from municipal services this include trade and professional taxes, chat and other taxes, livestock market taxes, market stall taxes and carts taxes. The third source of revenue is service charge revenue. This includes sanitation, certificate provision, abattoir service, advertising service and penalties. The last category of source of revenue is property and service sales of goods and services. This category includes residential house rent, trade, property rent and sales of document. As the municipality mostly uses traditional financing option for the provision of infrastructure, the municipalities face financial stress to provide the infrastructure adequately.

According to financial report and response of the municipality experts, the sources of finance for internal road, drainage, streetlight and solid waste management is municipal own revenue, sate revenue, regional and ULGDP support.

Table.2 Financing Source of Infrastructure from 2008/9-2014/15 in Ethiopia birr(ETB)

Source of finance	Road finance		Drainage finance		Straight light finance	
	Amount	%	Amount	%	Amount	%
Municipal own revenue	12,415,788	53.3	2,675,622	94	4,509,756	100
State revenue	3,108,572	13.4	170,522.8	6	-	-
Regional support	4,212,880	18.1	-	-	-	-
ULGDP project	3,527,698	15.2	-	-	-	-
Total	23,264,938	100	2,846,144.8	100	4,509,756	100

Source: Batu Town Municipality Report, 2015

As the above table shows the major sources of municipal infrastructure financing is obtained from municipal own revenue it constitutes 53.3 %, 94% and 100% financing of municipal road, drainage and straight light expenditure respectively. Solid waste management is also 100% financed by the municipal own revenue. The other sources financing proportions is less for road and drainage and nill for the remaining. These sources of revenue are the existing sources that are used for long period and considered as traditional sources. Only ULGDP support is new source. The financial source that the municipality utilized for light infrastructure is used for the construction and expansion of transmission line and purchasing of different types of lump. The contribution of innovative financing options for this infrastructure is low as compared to the traditional financing options.

The town has only one disposal site that was constructed in 2006, though they have no adequate vehicle to transport waste to the site. Batu municipality annual report of 2006 indicates that, the municipality spends 301,904birr for the construction of this disposal site.

4.3 Municipal Infrastructure Financing Performance

To examine the performance of municipal infrastructure financing trend for the last seven years are discussed as follows.

4.3.1 Municipal Revenue Collection Trend

The table below shows that the municipal revenue collected from four sources and their respective contribution for the last seven years (2008/9- 2014/15).

Table 3 Sources of Revenue and their Contribution (2008/9-2014/15)

	Amount of collected Revenue (in Birr)						
Source of revenue	**2008/9**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**
Municipal rent revenue & investment income	2,915,331	3,958,758	3,432,578	4,680,766	4,800,554	5,885,065	7,990,124
Tax revenue from municipal service	3,426,500	2,317,991	2,084,626	2,383,287	2,725,649	2,959,526	3,370,203
Service charges	107,150	504,355	431,840	614,972	873,876	2,349,393	3,210,143
Property & service sales of good &service	376,563	292,049	245,463	360,080	614,623	703,566	1,242,124
Total revenue	6,825,544	7,073,153	6,194,507	8,039,107	9,014,703	11,897,551	15,812,596

Source: Batu Revenue Authority Office, 2014/15

As indicated in table 3 between 2008/9- 2014/15 the municipality collect 64,857,161 birr from the four source of revenue indicated in the table. Out of 64,857,161, municipal rent revenue and investment income source of revenue contribute 33,663,179 (51.9%), tax revenue from municipal service contribute 19,267,782(29.7%), service charge contribute 8,091,730(12.48%) and property and service sales of good and service contribute 3,834,870(5.91%). This implies that the municipality mainly collects its revenue from municipal rent revenue and investment income and others remaining revenues in sum are not equal to municipal rent revenue and investment income. When the revenue collection trend of Batu Municipality for the last seven years is observed, it is increasing trend, only in 2010/11 shows decline. The growth rate of collected revenue is characterized by ups and downs throughout the period (2008/9 to 2014/15), although with a generally upward drift.

From the above table decline in revenue collection is observed in year 2010/11, according to Batu town revenue authority office officials, the reason for decline in actual collected revenue was due to decrease of land based service and high delinquency. This implies instability and low revenue base of the municipality.

4.3.2 Revenue Collection Growth Trend

In seven years of study period, the Municipality collected total revenue of 64,857,161 Birr. The revenue planned to be collected in these years (2008/9 to 2014/15) was 70,540,080 birr. Table 4 below shows comparative analysis of planned and actual revenue.

Table .4 Batu Municipality Revenue Performance and Growth Trend

Year	Municipal revenue collection performance						
	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Plan	7,309,618	10,155,677	8,740,000	8,350,195	9,063,845	12,637,906	14,282,839
Achieved	6,825,544	7,073,153	6,194,507	8,039,107	9,014,703	11,897,551	15,812,596
Plan vs. achieved	93%	69.6%	70.8%	96%	99%	94%	110%
Increase in revenue	-	247,609	-878,646	1,844,600	975,595	2,882,848	4,015,044
Growth trend	-	3.6%	-9.24%	17%	32%	74%	131%

Source: Batu Revenue Authority Office Report, 2014/15

As indicate in the above table, the municipality revenue collection plan and performance fluctuates from 2008/9 until 2011/12. This shows that there is a problem on revenue collection planning and performance during this time period. According to municipality manager, this problem was occurred due to lack of clearly identified revenue sources and lack of innovate new revenue sources. As land based services decrease the municipality decreases their plan.

When we compare the plan with the actual collected revenue during seven years (2008/9-2014/15) the percentage of revenue collection ranged between 69.6% to110percent. This shows that the municipality has not fully collected its revenue even from the identified source appropriately. On the other side this indicates the municipality has an opportunity to collect additional revenue from the three revenue items and from innovative source of revenue.

4.3.3 Municipal Budget Allocation Trend

Based on the data obtained from Batu finance and economic development office, the municipality budget allocation trend for capital investment and recurrent activity for the last seven years (2008/9 to 2014/15) summarized in table 5.

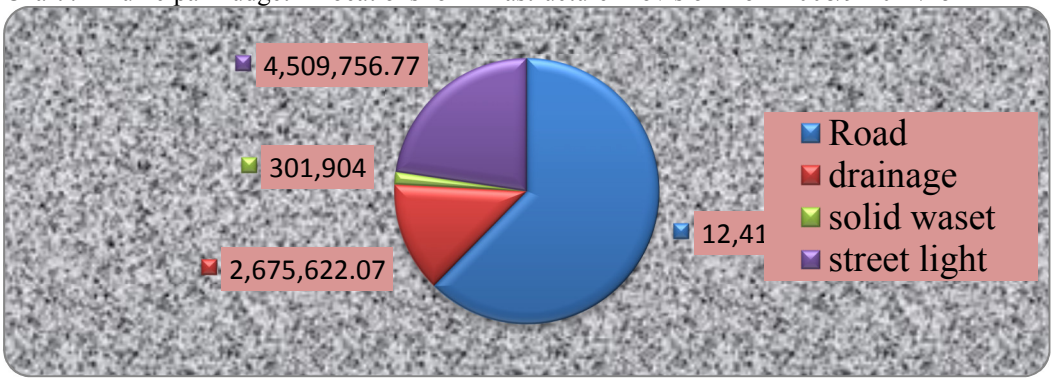
Table .5 Batu municipal Budget Allocation from 2008/9 to 2014/15

Year	Budget Allocation				
	Recurrent	%	Capital	%	Total
2008/9	4,501,955	59	3,107,663	41	7,609,618
2009/10	3,046,151.33	38	4,990,000	62	8,036,151.33
2010/11	3,144,843	31	7,002,000	69	10,146,843
2011/12	6,243,564	58.7	4,390,200	41.3	10,633,764
2012/13	12,835,507	74	4,509,470	26	17,344,977
2013/14	7,455,296	56	5,784,476	44	13,239,772
2014/15	10,806,346	62.5	6,473,098.34	37.4	17,279,444
Total	48,033,662	53.1	36,256,907	56.9	84,290,570

Source: Batu Finance and Economic Development Office, 2014/15

As the above table shows that Batu municipality allocate 84,290,570 amounts of birr for 2008/9-2014/15 fiscal years. Out of this 48,033,662(56.9%) amount is for recurrent activity and 36,256,907(53.1%) is allocated for capital investment. The municipality budget allocation for capital investment is improved from year to year. When we compare the recurrent and capital budget allocation, the recurrent budget is exceeding the capital budget. Out of 36,256,970 budgets allocated for capital investment, 32.4% allocated for road infrastructure, 8.3 % for drainage, 8% for straight light and 0.9% was allocated for solid waste management infrastructure. The left 50.4 % of the capital budget allocated was used for other infrastructures which are provided by the municipality.

Chart .1 Municipal Budget Allocations for Infrastructure Provision from 2008/9-2014/15



Source; Illustration Based on Table 8.5

The budget allocated for the provision of road infrastructure by municipality accounts the highest percent in comparison to other infrastructure budget. On the other hand the budget allocated for solid waste management infrastructure provision is very low. The budget that allocated for solid waste management infrastructure affects the provision of this infrastructure in the town. The budget that the municipality allocates for the provision of adequate infrastructures is not sufficient.

Table .6 Newly Constructed Infrastructure by the Municipal Own Revenue from 2008/9-2014/15

	Physical work (2007/8-2014/15)			Budget allocated		
Type of Infrastructure	**Plan**	**Achieved**	**%**	**Plan**	**Achieved**	**%**
Road	35.46km	22.83km	64	14,429,711	12,415,788.01	86
Drainage	23.67km	4.501km	19	3,574,535	2,675,622.07	74.85
Street light	29km	15.9km	54.8	5,435,298	4,509,756.77	82.97
Solid waste management	300m	370m	123	341,000	301,904	88.5

Source: Batu Municipality Report 2014/15

As depicted in table 6 the municipality physical work achievement is less as compared to the plan except solid waste management is performed above the plan. Drainage is the performed infrastructure compared to other and road is better. Similarly budget is under utilized in all infrastructures. Municipality only constructs 19% of its plan, but the municipality utilized 74.85% of the budget allocated for the construction of drainage infrastructure. This implies that the budget utilization and the achievement of the physical work is imbalance. High inefficiency is seen in municipal drainage as compared to other infrastructure. However, good physical work performance and efficiency in resources utilization is observed in solid waste management.

According to Batu municipality officials the imbalance between the budget and the physical work plan is because of planning problem. When the municipality allocates the budget for those infrastructures it does not based on design and specification of the projects going to be constructed.

4.3.4 The Challenges of Batu Municipality Infrastructure Financing

The challenges that the municipality faces to finance infrastructure were identified by the study. The major challenges are insufficient municipal revenue from taxes and fees, low level of municipal expenditure management, least price bid proclamation, lack of coordination between different line sector and low community participation are the major once.

Currently the municipality used out dated tariff structure. According to the legal frame work the tariff structure is revised by two years interval. Batu municipality revised its tariff structure in 2011/12 until now the municipality collects its revenue by this tariff structure. This affects the revenue generation level of the municipality. They are not using diversified revenue sources and the municipality does not work on innovating additional source of revenue. The other problem that observed is planning gap. The municipality revenue plan is not properly planed this also affect the revenue collection efficiency of the municipality. Poor expenditure management is also the challenge and the reason is lack of proper plan; spend more on recurrent activity than capital investment, lack of minimizing extra cost.

The other challenges that the municipality face in infrastructures financing are least bid proclamation, absence of community participation and absence of private sector participation. These challenges reduced the infrastructure financing capacity of the municipality and cause financial stress on the municipality to finance its capital investments.

5. Conclusions and Recommendations

5.1 Conclusions

Urban Infrastructure financing is a critical issue. Batu town municipality mostly uses traditional source of finance for the provision of road, drainage, solid waste management and street light infrastructure in the town. These infrastructures in the town are poor in terms of quality and quantity. As the Batu municipality mostly used the traditional option of infrastructure financing, it has limited the financing capacity of the municipality. The main source of finance for the municipality to finance these infrastructure is the municipality own revenue. In addition to its own revenue the municipality get additional source of finance from state revenue, regional support and ULGDP support. But the contribution of these sources is less.

The Batu municipality collects its revenue from four items. Out of these four revenue source 51% of the actual revenue collected by the municipality is from own revenue. In the last seven years the municipality actually collected revenue is less than the plan of the revenue to be collected. Revenue collection trend shows decline 2010/11 and 2011/12 as the land based service decline and fluctuating in other years at increasing rate. Dependency of the municipality on limited revenue basis has significant impact on the revenue capacity of the municipality when it declines for certain reason. These make sustainable financing capacity of the municipality in question.

In the last seven years budget allocation trend of the municipality shows improvement on capital investment budget allocation from year to year. But still the municipality allocates more of its budget for recurrent activities.

The recurrent and capital expenditures account for 52.75% and 47.25 % respectively in the seven years under study. The budget that the municipality allocates in the last seven years for infrastructure is not proportional to the fiscal work plan that the municipality plan to provide these infrastructure. This indicates that the municipality revenue is not sufficient to finance the municipality infrastructure adequately. Inadequacy of financing is caused by use of traditional source and low base of revenue, planning problem and weak expenditure management system of the municipality.

5.2 Recommendations

Improve the Revenue of the Municipality: The municipality should improve its revenue by expanding its base such as community mobilization, assess carefully, revise tariff structure, identify its potential source of revenue, pay attention for all its source of revenue and collect its revenue properly from all sources.

Capacity Building on Planning and Implementation: Poor planning and implementation problems of the municipality negatively affect the financing performance of the municipality. The planning problem should be solved by providing appropriate and continuous on job training for the worker.

Apply Innovative Infrastructure Financing Option: To solve the financial stress that the municipality faces, the municipality should have to look for the innovative financial option.

Improve the Least Price Bid Proclamation: The Oromia regional state should have to improve the least price bid which is issued in 2004. This improvement may take in the way that forces the micros to focus on quality and make them more competent. This can minimize the municipality maintenance cost and improve the financing performance of the municipality.

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